Moody's Investors Service

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New Issue: Maitland (City of) FL

MOODY'S HAS ASSIGNED Aa3 UNDERLYING RATING TO MAITLAND COMMUNITY REDEVELOPMENT AGENCY'S (FL) COMMUNITY REDEVELOPMENT REVENUE BONDS, SERIES 2005

Aa3 UNDERLYING RATING AFFECTS $13.6 MILLION IN CURRENTLY-OFFERED DEBT AND REFLECTS COUNTY'S NON-AD VALOREM COVENANT PLEDGE

Maitland (City of) FL
Municipality
FL

Moody's Rating

ISSUE	RATING
Community Redevelopment Revenue Bonds, Series 2005	Aa3

Sale Amount	$13,615,000
Expected Sale Date	11/28/05
Rating Description	Non-Ad Valorem Revenue Bonds

Opinion

NEW YORK, Nov 1, 2005 -- Moody's Investors Service has assigned an initial Aa3 underlying rating to the City of Maitland Community Redevelopment Agency 's (FL) $13.6 million Community Redevelopment Revenue Bonds, Series 2005. The bonds are secured by tax increment revenue and, pursuant to an interlocal agreement, a city covenant to budget-and-appropriate legally-available non-ad valorem revenues to supplement any deficit in increment revenues available to pay debt service. The obligation of the city to deposit sufficient non-ad valorem funds to pay debt service in case of a shortfall in incremental revenues is absolute and unconditional, and lasts for the life of the bonds. Proceeds will be used to finance the construction of an off-ramp into the city, as well as street realignment, extension and construction of a stormwater retention pond. At this time, Moody's has also affirmed the Aa2 Issuer Rating on the City of Maitland.

Adequate legal protections include a fully-funded debt service reserve and a 125% additional bonds test for tax increment bonds. Additional non-ad valorem bonds issued by the city would have to meet a 150% anti-dilution test, that would include the current offering. Debt service on the offering is backloaded in order to capture expected growth in the tax increment without relying on city non-ad valorem revenues for repayment.

CITY'S NON-AD VALOREM COVENANT PROVIDES BASIS FOR BOND SECURITY

Moody's believes that the city's covenant pledge provides a strong basis of support for bondholder security. The Community Redevelopment Agency's (CRA) limited history and early development stages will require the city to provide for debt service on the current offering for a number of years from legally-available non-ad valorem revenues. The definition of "Pledged Funds" includes both the tax increment revenues and funds transferred from the city, pursuant to an interlocal agreement, defined in that agreement as a covenant to budget-and-appropriate legally-available non-ad valorem revenues. The obligation of the city to deposit sufficient non-ad valorem funds to pay debt service in case of a shortfall in incremental revenues is absolute and unconditional, and lasts for the life of the bonds. The Agency's board consists of the city's council members and an additional member from Orange County. Since the city and CRA's tax cycle is identical, officials will know in advance of budget adoption and based on the certified tax roll and tax rates to be assessed by the city and county, whether there will be a shortfall in tax increment revenues annually. This will allow the city to incorporate required debt service payments into their budget prior to adoption, without the need for an emergency appropriation. In addition, the CRA will maintain a debt service reserve on this issue. Neither the CRA or city anticipate issuing additional tax increment or non-ad valorem obligations respectively, at this time.

The city's non-ad valorem revenues are expected to grow 27.5% between fiscal 2000 and 2005. Nearly 82% of non-ad valorem funds for fiscal 2005 (unaudited) are derived from electric utility and franchise payments (37.6%); sales tax receipts (24.5%); and the communications service tax (CST - 19.6%). Both the electric and sales tax components of available funds have exhibited steady growth, while the CST has declined by 28% since its inception in fiscal 2002 due to consumers use of alternate means of communication aside from the telephone. Other components such as court fines and state revenue sharing are more than making up for

CST losses. Moody's believes that the availability of non-ad valorem funds is further enhanced by the city's favorable financial characteristics that include solid reserves and ample available taxing margins.

CITY'S WELL-MANAGED FINANCES ENHANCE NON-AD VALOREM PLEDGE

Moody's expects that the city's growing tax revenues and proven ability to control expenses will continue to sustain favorable operating performance. Despite a $3.4 million reserve reduction in 2003 driven by a one-time transfer to one of the Capital Project Funds, the city's financial position is healthy, evidenced by a September 30, 2004 General Fund balance of $10.5 million (a very healthy 47.8% of General Fund revenues). Moody's also gains comfort from the city's policy to maintain 10% of the expenditure budget in an emergency reserve held in the General Fund. Unaudited fiscal 2005 operations indicate a slight increase in total General Fund balance and the 10% emergency reserve (from $987,000 to $1.77 million). The revenue base is fairly diverse, with property taxes as the largest revenue source, consisting of about one-third of fiscal 2005 unaudited G.F. revenues, and another 36% of revenues coming from utility taxes, franchise fees, communication services and sales taxes. Significant financial flexibility remains as the city's operating millage rate for fiscal 2006 is only 38% of the statutory limit, allowing for ample available taxing margins. The fiscal 2006 budget is partially balanced with one-time revenues such as a $215,000 settlement payment from Progress Energy and designated reserves for vehicle replacement that Moody's does not consider to be material. Health care costs have increased at a manageable 10%, and property insurance costs have actually declined marginally, in part due to utilization of some higher deductibles. Police pension costs have increased about 26%. Post retirement benefits offered to retirees include only health care that is not subsidized by the city but paid totally by retirees (post 1991). Investments are conservatively managed with the state (SBA) or in U.S. Treasury obligations.

MANAGEABLE CITY DEBT POSITION

Moody's believes that the city's manageable debt position, reflected by a modest direct debt burden of 1.4% (including this issue), will be maintained as the city is an infrequent issuer of debt. The overall debt burden of 3.8% is moderate due to the city's share of the debt of overlapping entities, including the county and the county-wide school district. The city does not anticipate additional borrowing at the present time. Moody's expects the city's growing taxable property values to add support for a continuation of favorable debt levels. Annual debt service costs are also affordable at only 1.6% of fiscal 2004 operating expenditures. Repayment on the current offering is slow with almost two-thirds of principal to be repaid in the last nine years of a 29-year repayment schedule, and ascending debt service to capture expected increases in tax increment revenue.

WEALTHY, DIVERSE ECONOMIC BASE

Moody's believes that the city will continue to experience growth going forward given its location in Orange County within the Orlando (issuer rating of Aa2) MSA and diverse tax base. While much of the city's land is developed, ongoing redevelopment has continued to provide construction activities and additional tax base growth. The city's estimated actual value of taxable property is $2.5 billion in fiscal 2006 and has grown by a healthy annual average of 8.6% over the past five years. Taxable value has also grown rapidly, averaging 7.6% annually, including an unusual marginal decline (-0.1%) in 2005 related to some reduced commercial assessments. The city's tax base is roughly divided 65% residential and 35% commercial/industrial. Full value per capita is strong at $150,235. Future growth should continue to be bolstered by some new development as well as redevelopment of the downtown area. Socioeconomic indices strongly exceed state and national levels. Employment opportunities within the city and in Orlando are numerous.

KEY STATISTICS

Security: CRA tax increment revenues and, pursuant to interlocal agreement, the city's covenant to budget-and-appropriate legally-available non-ad valorem revenues.

Post Sale Tax Increment Bonds Outstanding: $13.6 million

Bond Payout,

10 years: 5.1%

20 years: 35.3%

29 years: 100.0%

City Data:

2004 Est. Population: 16,476

2006 Full Valuation: $2.5 billion

Full value per capita: $150,235

1999 Per Capita Income as % of State: 173.0%

1999 Median Family Income as % of State: 152.3%

FY 2006 Operating Tax Rate as % Statutory Limit: 38%

Average Annual Assessed Value Growth, FY 2001-2006: 7.6%

Average Annual Full Value Growth, FY 2001-2006: 8.6%

Debt Burden: 3.8%

Direct Debt Burden: 1.4%

FY04 General Fund Balance: $10.5 million (47.8% of General Fund revenues)

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